

Message Text

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TAGS: EFIN, ECON, OECD
SUBJECT: SECRETARIAT REPORT TO OECD COUNCIL ON INTERIM
COMMITTEE AND DEVELOPMENT COMMITTEE MEETINGS; DUTCH
EXPRESS CONCERN AT APRIL 23-24 MEETING OF G-5 COUNTRIES

1. SUMMARY. OECD SECRETARIAT REPORTED TO COUNCIL ON
WASHINGTON MEETINGS OF INTERIM AND DEVELOPMENT COMMITTEES
AND ON RELATED MEETINGS OF G-10 AND POTENTIAL DONORS TO
WITTEVEEN FACILITY. SECRETARIAT COMMENTED THAT THEY
FOUND CONTRADICTION BETWEEN IMF STAFF'S RELATIVELY SAN-
GUINE ASSESSMENT OF OVERALL LDC FINANCIAL POSITION AND
ITS URGENT PUSH FOR MORE LIQUIDITY, IMPLYING THAT FINAN-
CIAL SUPPORT FUND IS REALLY MORE SUITED TO PRESENT
INTERNATIONAL CREDIT NEEDS (OECD RATHER THAN LDC) THAN IS
WITTEVEEN FACILITY. DUTCH REP PROTESTED SECRET G-5 MEET-
ING ON APRIL 23-24 AND SOLICITED INFORMATION FROM REPS OF
PARTICIPATING COUNTRIES ON SUBJECTS DISCUSSED. END
SUMMARY.

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2. AT MAY 4 MEETING OF OECD COUNCIL, SECRETARIAT REPORTED
ON APRIL 27-29 MEETINGS IN WASHINGTON OF INTERIM AND
DEVELOPMENT COMMITTEES AND OF G-10 MINISTERS. PARA 3
BELOW REPORTS THOSE ELEMENTS OF STATEMENT BY SECRETARIAT
(MARRIS) ON IMF QUESTIONS WHICH GO BEYOND REPORTS WE HAVE
SEEN OR WHICH CONVEY NOTABLE DESCRIPTIVE ASSESSMENTS OR
EDITORIAL COMMENTS ON PROCEEDINGS AND OUTCOME.

3.

A. G-10 MINISTERS. MARRIS SAID HEALEY HAD INDICATED THAT IMF QUOTA ISSUE COULD ARISE AT CIEC.

B. "RICH MAN'S DINNER." NOTING THAT OECD DID NOT PARTICIPATE IN APRIL 27 DINNER MEETING OF POTENTIAL DONORS TO WITTEVEEN FACILITY, MARRIS SAID THAT THIS MEETING PRODUCED NO CLARIFICATION OF AMOUNTS FORTHCOMING FROM OPEC. HE SUGGESTED THAT PROGRESS MIGHT BE MADE ON THIS QUESTION DURING PRINCE FAHD'S VISIT TO WASHINGTON THIS WEEK.

C. INTERIM COMMITTEE.

-- FINANCIAL SUPPORT FUND. FSF WAS NOT ON AGENDA OF INTERIM COMMITTEE. HOWEVER, HEALEY HAD INDICATED THAT FSF SHOULD BE RECONSIDERED AMONG OTHER OPTIONS IF AMOUNT OF WITTEVEEN FACILITY WERE LESS THAN SDR 10 BILLION.

-- PROPOSED WITTEVEEN FACILITY. MAIN DEBATE REVOLVED AROUND CONDITIONALITY. OPEC (THROUGH JORDANIAN AND VENEZUELAN REPS) ENDORSED LOW CONDITIONALITY FOR LDC'S AND ASSERTED THAT REASONABLY LARGE PORTION OF FUNDS SHOULD BE USED FOR LDC'S.

-- QUOTAS. MARRIS AGREED WITH VIEWS EXPRESSED BY SOME COUNTRIES THAT THEIR QUOTAS ARE OUT OF LINE WITH LIMITED OFFICIAL USE

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ECONOMIC REALITIES.

-- SDR'S. CLEAR SPLIT ON QUESTION OF NEED FOR ALLOCATION LED TO LANGUAGE KEYED TO IMPROVING QUALITY OF SDR RATHER THAN TO AMOUNTS; HOWEVER, U.S. INDICATED IT IS NOT PREPARED TO SUPPORT SPECIFIC MOVES ON QUALITY WITHOUT A MAJOR STUDY OF THE SDR'S ROLE.

-- ECONOMIC OUTLOOK. MARRIS EXPRESSED SURPRISE AT LDC'S ACCEPTANCE OF IMF STAFF'S ANALYSIS THAT LDC GLOBAL CURRENT ACCOUNT DEFICIT IS NOT LARGER THAN MIGHT HAVE BEEN EXPECTED WITHOUT THE INCREASE IN OIL PRICE, I.E., THAT OECD AREA IS CARRYING "BURDEN" OF OIL DEFICIT. HE FOUND IT ODD THAT, DESPITE THIS JUDGMENT (THAT LDC FINANCIAL NEEDS ARE NOT HISTORICALLY DISPROPORTIONATE), URGENCY FOR LDC'S OF WITTEVEEN FACILITY WAS BEING STRESSED. MARRIS ALSO CITED PORTIONS OF SECRETARY BLUMENTHAL'S STATEMENT, INCLUDING REFERENCE TO ADVERSE IMPACT ON CONFIDENCE ARISING FROM INCREASED EXCHANGE

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4. SEC GEN VAN LENNEP INTERJECTED THAT THE IMF STAFF PAPER STRIKINGLY DEMONSTRATED THAT LDC BORROWING IN 1976 WAS EQUAL TO INCREASE IN THEIR RESERVES. IMF STAFF FELT THIS WAS A JUSTIFICATION FOR SDR ALLOCATIONS SINCE TO THE EXTENT THAT LDC'S DEMAND FOR RESERVES WERE SATISFIED BY NEW SDR DISTRIBUTION, THEY WOULD REDUCE BORROWING. ON THE OTHER HAND, VAN LENNEP FELT FACT THAT LDC'S ARE BORROWING ESSENTIALLY FOR RESERVES RATHER THAN TO FINANCE CURRENT ACCOUNT DEFICITS BRINGS INTO QUESTION REAL NEED FOR LDC'S OF ADDITIONAL FINANCING SOURCES BEING SOUGHT. HE FOUND THE WITTEVEEN FACILITY AS PROPOSED BY FUND STAFF TO DIFFER FROM THE FORMER IMF OIL FACILITY ONLY IN THE QUESTION OF CONDITIONALITY (SUGGESTING THAT THE MANAGING DIRECTOR APPARENTLY HAD THOUGHT THAT THE OPEC POTENTIAL DONORS HAD PREVIOUSLY ACCEPTED CONDITIONALITY), AND POINTED OUT THAT IT WAS THE ABSENCE OF CONDITIONALITY FROM THE OIL FACILITY WHICH HAD BEEN THE DRIVING FORCE

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LEADING TO CREATION OF THE FINANCIAL SUPPORT FUND.

5. ASKED TO SPELL OUT REASONS FOR SECRETARIAT'S HAVING LESS OPTIMISTIC VIEW THAN IMF STAFF ON ECONOMIC OUTLOOK, MARRIS (NOTING SECRETARIAT HAS NOT COMPLETED ITS CURRENT FORECASTING CYCLE) SAID THAT THE IMF PAPER BASICALLY SEES A STRONGER PICTURE ON THE SECOND HALF -- PARTICULARLY FOR THE U.S., FRG AND JAPAN.

6. SECRET MEETING OF G-5 COUNTRIES. THE NETHERLANDS' REP, QUOTING FROM PRESS REPORTS THAT THE PURPOSE OF THE SECRET MEETING IN FRANCE ON APRIL 23-24 OF TOP OFFICIALS OF G-5 COUNTRIES WAS TO PREPARE INTERIM COMMITTEE MEETING, SAID THAT HIS AUTHORITIES WERE PUZZLED AND BAFFLED BY THESE REPORTS AND BY THE ABSENCE OF ANY BRIEFING BY THE PARTICIPANTS, EVEN MERELY TO IDENTIFY SUBJECTS DISCUSSED. ASKING FOR ANY INFORMATION WHICH PERM REPS OF PARTICIPATING COUNTRIES COULD PROVIDE, HE SAID THAT THE NETHERLANDS IS INCREASINGLY UNHAPPY WITH THE WAY IN WHICH CONSULTATIONS ON INTERNATIONAL FINANCIAL ISSUES ARE GOING, PARTICULARLY SINCE DUTCH ARE BEING ASKED TO FOOT SOME OF THE BILL FOR PROJECTS DECIDED IN RESTRICTED GROUPS. IN RESPONSE, FRENCH PERMREP SAID HE HAD NO INFORMATION WHETHER PURPOSE OF G-5 MEETING WAS TO PREPARE FOR INTERIM COMMITTEE OR NOT, BUT SPEAKING PERSONALLY, DEFENDED RIGHT OF ANY GROUP OF COUNTRIES TO CONSULT TOGETHER AND EMPHASIZED NEED FOR SUCH FLEXIBILITY.

7. DEVELOPMENT COMMITTEE. SECRETARIAT (FUEHRER) SAID THAT, WHEN ORIGINALLY SCHEDULED, APRIL 27 MEETING OF DEVELOPMENT COMMITTEE HAD BEEN EXPECTED TO TAKE PLACE AFTER CIEC AND THUS BE IN A POSITION TO TAKE STOCK OF CIEC'S IMPLICATIONS FOR DEVELOPMENT COMMITTEE'S WORK PROGRAM. ACTUAL MEETING CONCENTRATED ON WORK PROGRAM AND METHODS INCLUDING:

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-- INCREASE IN IBRD CAPITAL

-- REVIEW OF RESOURCES AND LENDING POLICIES OF REGIONAL BANKS

-- LDC ACCESS TO CAPITAL MARKETS, INCLUDING PARTIAL GUARANTEE BY INTERNATIONAL FINANCIAL INSTITUTIONS OF LDC BOND ISSUES

-- POSSIBLE FOLLOWUP OF CERTAIN ASPECT OF FINAL CIEC
RESULTS

DEVELOPMENT COMMITTEE WILL MEET NEXT IN WASHINGTON
ON SEPTEMBER 25. ITS TWO WORKING PARTIES WILL MEET IN
JULY AND DEPUTIES GROUP MAY ALSO GET TOGETHER DURING THE
SUMMER IN EUROPE.
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